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Report Highlights:
Thai broiler industry is forecast to grow further in 2004, following an anticipated steady growth in domestic demand and exports. While thriving for exporting to a number of countries, Thailand itself is a protected market. The Thai government has apparently implemented non-transparent practices in granting import permit and applied high duties on imported chicken meat. In fact, Thailand is a potential market for such U.S. chicken meat products as chicken parts (especially leg-quarters), mechanically de-boned meat, and value-added chicken meat.

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Section I: Situation and Outlook

Total broiler meat production in 2004 is forecast to grow further by 5-6 percent over the 2003 level, mainly because of an expansion in production capacities, from farming to processing, among existing integrated poultry producers. Due to price depression in early 2003, the Thai integrated poultry processors revitalized industry cooperation in controlling chick production again in 2003. With the support of the Department of Livestock Development, most of the integrated poultry producers agreed to cut down their weekly chick production by 20 percent during April until May 2003. However, the effect of this two month chick production decline will likely be negated by growth in chick production in the balance of the year. Total broiler production through the year 2003 is estimated to increase further by 7 percent over 2002's level.

Broiler meat consumption is forecast to increase further by 10-12 percent in 2004 based on the fact that there is still room to increase per capita chicken meat consumption, which has been as low as 11-12 kgs. In addition, broiler meat consumption will be driven by the steady growth in the Thai economy, the increased number of tourists in Thailand, and increased popularity of chicken meat. Although an outbreak of Severe Acute Respiratory Syndrome (SARS) disease in several Asian countries and Canada diminished the number of in-bound tourists in Thailand in the second quarter of 2003 (Mar-Jun), total broiler meat consumption in 2003 is estimated to increase by 10 percent over the year of 2002.

Total broiler meat exports are forecast to increase 6 percent in 2004 to 530,000 tons, of which about 370,000 tons would belong to uncooked products, with the balance going to further processed products.

Thai chicken meat exports in 2002 have been volatile, suffering plunging export prices in the first six months of 2003 then skyrocketing prices in the second quarter of the year (late June to currently). Export prices for uncooked boneless leg meat (BL) have increased rapidly from US$ 1,200-1,300/ton for shipments delivered in the first quarter of 2003 to currently 2,500-2,600/ton for the last quarter delivery. Meanwhile, C&F prices for uncooked skinless boneless breast (SBB) shipped to the EU countries in the fourth quarter are currently US$ 2,100-2,200/ton, as compared to US$ 1,500-1,600 shipped in the first quarter (Jan-May).

However, trade sources reported that Thai exports will be impacted for the rest of the year by two major developments: On one hand, Japan's decision to lift the ban on poultry meat from China, a major Thai competitor, may pose some threats to Thai exports. On the other hand, the EU's response to the Thai request to lower the sampling of chicken meat imported from Thailand, from originally 100 percent to 10 percent, should benefit the Thai exports. All in all, total exports of chicken meat in 2003 should increase further to about 500,000 tons, compared to 464,243 tons in 2002. Of total exports, exports of both raw products and further processed products are likely to increase to 360,000 tons and 140,000 tons, respectively.

Section II: Statistical Tables

Table 1: Thailand's PS&D Table for Poultry, Meat, Chicken – 16 wks.

PSD Table

Country Thailand
Commodity Poultry, Meat, Broiler (1000 MT)(MIL HEAD)

	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [	Estimate [	)A Official [	Estimate [	)A Official [	Estimate [New]	
Market Year Begin		01/2002		01/2003		01/2004	MM/YYYY
Inventory (Reference)	0	0	0	0	0	0	(MIL HEAD
Slaughter (Reference)	0	0	0	0	0	0	(MIL HEAD
Beginning Stocks	0	29	0	70	0	90	(1000 MT)
Production	1380	1205	1450	1290	0	1360	(1000 MT)
Whole, Imports	0	0	0	0	0	0	(1000 MT)
Parts, Imports	0	0	0	0	0	0	(1000 MT)
Intra EC Imports	0	0	0	0	0	0	(1000 MT)
Other Imports	0	0	0	0	0	0	(1000 MT)
TOTAL Imports	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	1380	1234	1450	1360	0	1450	(1000 MT)
Whole, Exports	0	0	0	0	0	0	(1000 MT)
Parts, Exports	465	464	480	500	0	530	(1000 MT)
Intra EC Exports	0	0	0	0	0	0	(1000 MT)
Other Exports	0	0	0	0	0	0	(1000 MT)
TOTAL Exports	465	464	480	500	0	530	(1000 MT)
Human Consumption	895	680	950	750	0	840	(1000 MT)
Other Use, Losses	20	20	20	20	0	20	(1000 MT)
Total Dom. Consumption	915	700	970	770	0	860	(1000 MT)
TOTAL Use	1380	1164	1450	1270	0	1390	(1000 MT)
Ending Stocks	0	70	0	90	0	60	(1000 MT)
TOTAL DISTRIBUTION	1380	1234	1450	1360	0	1450	(1000 MT)
Calendar Yr. Imp. from U.	0	0	0	0	0	0	(1000 MT)

Table 2: Wholesale Prices for Live Broilers in Bangkok

Prices Table

Country Thailand

Commodity Poultry, Meat, Broiler

Prices in Baht per uom Kilogram

Year	2002	2003	% Change
Jan	31	23	-26%
Feb	31	20	-35%
Mar	30	20	-33%
Apr	22	27	23%
May	23	30	30%
Jun	26	33	27%
Jul	26	35	35%
Aug	22	32	45%
Sep	21		-100%
Oct	23		-100%
Nov	23		-100%
Dec	24		-100%

Exchange Rate	42	Local Currency/US $
Date of Quote	8/31/2003	MM/DD/YYYY

Source: Department of Internal Trade, Ministry of Commerce

Table 3: Retail Prices for Skinless Boneless Broiler Meat in Bangkok

Prices Table

Country Thailand

Commodity Poultry, Meat, Broiler

Prices in Baht per uom Kilogram

Year	2002	2003	% Change
Jan	73	59	-19%
Feb	71	58	-18%
Mar	71	53	-25%
Apr	68	54	-21%
May	68	62	-9%
Jun	68	69	1%
Jul	68	70	3%
Aug	68	71	4%
Sep	63		-100%
Oct	63		-100%
Nov	63		-100%
Dec	63		-100%

Exchange Rate	42	Local Currency/US $
Date of Quote	8/31/2003	MM/DD/YYYY

Source: Department of Internal Trade, Ministry of Commerce

Table 4: Thailand's Chicken Meat Exports in 2002 (Jan-Dec)

Destination	Uncooked Meat	Further Processed Meat	Total Exports
ASIA	**256,182**	**76,061**	**332,243**
Japan	193,913	66,162	260,075
Singapore	7,308	4,380	11,688
China	10,642	508	11,150
Hong Kong	2,967	2,672	5,639
South Korea	32,945	2,311	35,256
Brunei	0	0	0
Malaysia	8,176	0	8,176
Others	231	28	259
EUROPE	**79,777**	**50,720**	**130,497**
The European Union	79,370	50,716	130,086
Belgium	241	1,331	1,572
Germany	40,004	2,995	42,999
Netherlands	21,180	14,956	36,136
United Kingdom	16,183	28,723	44,906
France	265	1,424	1,689
Others	1,497	1,287	2,784
Other Europe	407	4	411
MIDDLE EAST	**1,495**	**515**	**2,010**
Kuwait	394	0	394
Saudi Arabia	46	372	418
Dubai	147	0	147
Others	908	143	1,051
AFRICA	**1,437**	**5**	**1,442**
South Africa	1,437	5	1,442
Egypt	0	0	0
Others	**0**	**0**	**0**
OTHERS	**153**	**296**	**449**
			0
TOTAL	**339,044**	**127,597**	**466,641**

Sorce: Thai Broiler Processing Exporters Association

Table 5: The Comparison of Chicken Meat Exports in 2002 and 2003 (Jan-Jun)

Destination	Uncooked Meat		Further Processed		Total Exports	
	2002	2003	2002	2003	2002	2003
ASIA	**130,148**	**127,476**	**37,345**	**38,545**	**167,493**	**166,021**
Japan	100,257	84,077	32,156	33,498	132,413	117,575
Singapore	2,759	4,276	1,928	2,616	4,687	6,892
China	6,713	10,404	252	24	6,965	10,428
Hong Kong	1,311	2,902	1,543	1,419	2,854	4,321
South Korea	14,682	21,664	1,457	973	16,139	22,637
Brunei	0	0	0	0	0	0
Malaysia	4,414	4,079	0	9	4,414	4,088
Others	12	74	9	6	21	80
EUROPE	**40,040**	**59,844**	**23,549**	**30,099**	**63,589**	**89,943**
The European Union	39,734	59,592	23,548	30,090	63,282	89,682
Belgium	135	475	121	396	256	871
Germany	17,656	42,642	1,593	3,001	19,249	45,643
Netherlands	11,337	10,422	8,530	9,177	19,867	19,599
United Kingdom	9,079	5,873	12,628	14,287	21,707	20,160
France	193	39	78	1,912	271	1,951
Others	1,334	141	598	1,317	1,932	1,458
Other Europe	306	252	1	9	307	261
MIDDLE EAST	**703**	**813**	**205**	**51**	**908**	**2,790**
Kuwait	181	191	0	0	181	191
Saudi Arabia	46	0	119	0	165	0
Dubai	72	0	0	0	72	0
Others	404	622	86	51	490	673
AFRICA	**444**	**0**	**5**	**3**	**449**	**457**
South Africa	444	0	5	3	449	3
Egypt	0	0	0	0	0	0
Others	0	0	0	0	0	0
OTHERS	**0**	**54**	**18**	**0**	**18**	**54**
					0	**0**
TOTAL	**171,335**	**188,187**	**61,122**	**68,698**	**232,457**	**256,885**

Sorce: Thai Broiler Processing Exporters Association

Section III: Supply and Demand, Policy & Marketing

Production

Total broiler meat production in 2004 is forecast to increase further by 5-6 percent over the 2002 level, mainly because of an expansion in all activities from farming to processing among existing integrated poultry producers. The Charoen Pokphan (C.P.) group's new farming operations will be fully operational in 2004, which may add 500,000 birds/week to its integrated production. Sahafarm Company, the second largest poultry operation in the country after the C.P. group, is scheduled to operate its new poultry processing plant by the end of 2003, which will double the company's current slaughtering capacity to 1.0 million birds per day (or 7 million birds/week). The company's breeding and broiler farms have also been expanded to supply its larger processing facilities. In addition, GFPT Company plans to invest 620 million baht (approx. US$ 15 million) to boost its production capacities of a feed mill, farms, and a processing plant. According to trade sources, the company's broiler meat production will increase by 15 percent as a result. In addition, a continued upgrading to "high-yield-type" parent stock and the increased number of evaporative cooling system barns in broiler farming should favor the overall productivity in 2004.

Due to price depression in early 2003, the Thai integrated poultry processors revitalized the industry's cooperation in controlling chick production in 2003. With the support of Department of Livestock Development, most of the integrated poultry producers agreed to cut down their weekly production by 20 percent from April until May 2003. However, following increased overall chick production capacity and skyrocketing export prices since June 2003, total broiler production through the year 2003 should continue to increase by 7 percent over 2002's level.

Despite increased competition among exporting countries, a current global supply surplus, and the likelihood of intense non-tariff trade barriers among importing countries, Thailand has excellent potential to expand its broiler production over the next 3-5 years. This is mainly because Thailand has successfully diversified its broiler meat products from only basic uncooked boneless parts into premium-quality, further processed products. This should help Thailand to overcome the disadvantage of relatively higher feed costs against its main competitors like the U.S. and Brazil. Meanwhile, China, which could be a threat to Thai exports due to its labor-cost advantage, may continue to be troubled with the on-and-off import ban related to its failure to meet sanitary requirements in the major importing countries such as Japan and the EU.

After the problem of nitrofuran residue in broiler meat exports to the EU in 2002, both the Thai government and exporters initiated a strict safeguard program in all steps of poultry operations, from feed milling to farming to processing. Some producers isolated their production of poultry feed from that of other livestock feeds. As for broiler farming, they also segregated production-for-export farms from regular farms, and switched to sourcing live broiler production only from their own farms and reliable contracting farms. Meanwhile, the Thai government set up guidelines on resolving the residue problem, which include: a) controlling the importation of drugs/chemicals and their derivatives which contain prohibited substances; b) regulating all drug use in the animal feed manufacturing process; c) regulating all drug use on farms; and d) monitoring the level of drug residues in all meat products by establishing a specific laboratory which has the capacity to detect any contamination by prohibited drugs/chemicals in animal feed, premix feed, and animal products.

The data series for the PS&D tables has been revised across the board in order to comply with the guidelines by FAS/Washington and to reflect a change in average weight of live broilers. Based on FAS/Washington's post guidance for 2004 Annual Poultry reports, all poultry meat trade statistics must be reported on a ready-to-cook (RTC) basis. Accordingly, FAS/Bangkok no longer includes the weight of offal and skeleton for consumption in the calculation. Meanwhile, the new calculation also takes a change in the average weight of live broilers (from the typical 2.0 kgs to 2.2 kgs per bird) into account.

Average live broiler production costs in 2004 are forecast to be close to 2003's level, as the possible increased expenses in the costs of farming (including feed, labor, and farm equipment) may be offset by anticipated higher productivity and relatively cheaper prices for chicks (following an increase in chick production).

Like in year 2002, chick prices have fluctuated widely in 2003 from 2-10 baht/bird reflecting volatile export prices for broiler meat. However, average chick prices in the past 8 months (Jan-Aug, 2003) have widely fluctuated between 2-13 baht/bird. Meanwhile, feed cost has increased in 2003 following the relative higher prices for feed ingredients, especially those for soybean meal and corn. The total cost of broiler production in 2003 is pegged at 25.0-26.0 baht/kg live weight (approx. 27-28 cents/pound live weight), as opposed to 24.0-25.0 baht/kg (26-27 cents/pound) in 2002. The current cost in August 2003 (28.0-29.0 baht/kg live weight) is roughly derived from day-old chicks (6.50 baht), feed (18 baht), vaccination and drug (0.80 baht), labor (2.50 baht), and other costs (0.70 baht), respectively.

Consumption

Broiler meat consumption is forecast to increase further by 10-12 percent in 2004 based on the fact that there is still room to increase per capita chicken meat consumption, which has been as low as 11-12 kgs annually. In addition, broiler meat consumption should be driven by the steady growth in the Thai economy, the increased number of tourists in Thailand, and increased popularity of chicken meat consumption. Although an outbreak of Severe Acute Respiratory Syndrome (SARS) disease several Asian countries and Canada, diminished the number of in-bound tourists into Thailand in the second quarter of 2003 (Mar-Jun), total broiler meat consumption in 2003 is estimated to increase by 10 percent over the previous year.

Following volatile export prices, live broiler prices in February 2003 declined to the record low prices of 19.60 baht/kg (21 US cents/pound), and then boosted up sharply during June-August to 32.0-35.0 baht/kg (35-38 US cents/pound). The average wholesale prices for live broilers in the first 8 months of 2003 (Jan-Aug) increased by 4 percent to 27.64 baht/kg (30 US cents/pound). Meanwhile, the average prices for chicken boneless breast meat at Bangkok in 2002 (Jan-Aug) have dropped by 11 percent to 61.79 baht/kg (67 US cents/pound).

Trade

Thailand's broiler meat exports have a high potential to grow steadily during the next 3-5 years, due to Thailand's competitiveness in producing further processed broiler meat products, its ability to tackle sanitary problems, and anticipated demand growth in the major importing countries. Thai processors have successfully reduced their cost of production (through improvement in farm management and breeding genetics) and developed their value added products (through continued investment). In addition, the Thai experience in monitoring food safety controls will increase the trustworthiness of Thai poultry products among buyers. On the demand side, a downward trend in domestic production of broiler in both the EU countries and Japan should favor Thailand's market opportunity in these countries.

Nevertheless, there are some factors which may limit growth in export demand. For example, the uncertainties in the EU's directives on its import levies and on strict implementation of their quality and food safety controls could upset Thai exports from time to time. As mentioned in previous reports, the EU's reclassification of uncooked chicken meat products under the salted-item category (within which exporters enjoy the lower tariff of 15.4 percent, instead of paying about US$ 1,000/ton tariff for unsalted chicken meat) disturbed the exports of uncooked chicken meat. Trade sources reported that the EU's policy on this issue has been changed again in that both salted or unsalted items will be subject to the same high import tariffs (about US$ 1,000/ton) since August 15, 2003.

Total broiler meat exports are forecast to increase 6 percent in 2004 to 530,000 tons, of which about 370,000 tons would belong to uncooked products, while the balance will go to further processed products.

Thai chicken meat exports in 2003 have been volatile, first suffering plunging export prices in the first six months of 2003 to skyrocketing prices in the second quarter of the year (late June to currently). On May 12, 2003, Japan began to ban the imports of Chinese chicken meat after there was an outbreak of bird flu disease in flocks of duck in China. In addition, a serious outbreak of SARS (Severe Acute Respiratory Syndrome) in China, which has discouraged people to travel to China, caused Japanese buyers to almost totally switch forward buying to Thailand and Brazil. As a result, export prices for uncooked boneless leg meat (BL) have increased rapidly from US$ 1,200-1,300/ton for shipments delivered in the first quarter of 2003 to currently 2,500-2,600/ton for the last quarter delivery. Meanwhile, demand in the EU also recovered from early 2003 when an outbreak of avian influenza disease in Netherlands and Belgium began. C&F prices for uncooked skinless boneless breast (SBB) shipped in the fourth quarter are currently US$ 2,100-2,200/ton, as compared to US$ 1,500-1,600 shipped in the first quarter (Jan-May).

However, trade sources reported that Thai exports will be impacted for the rest of the year by two major developments: On one hand, Japan's decision to cancel a ban on poultry meat from China, a major Thai competitor, may pose some threats to Thai exports. On the other hand, the EU's response to the Thai request to lower the sampling of chicken meat imported from Thailand, from originally 100 percent to 10 percent, should benefit the Thai exports. All in all, total exports of chicken meat in 2003 should increase further to about 500,000 tons, compared to 464,243 tons in 2002. Of total exports, exports of both uncooked products and cooked products are likely to increase to 360,000 tons and 140,000 tons, respectively.

Japan and the EU countries should remain the major markets for Thai broiler meat for years to come. In the first six months of 2003 (Jan-Jun), Japan accounted for 46 percent of total broiler meat export (against 57 percent in 2002). Meanwhile, the EU accounted for 35 percent (up from 27 percent in 2001). The demand pattern in Japan and the EU has not changed from the previous reports. Japan usually buys uncooked meat in forms of boneless leg meat (BL), boneless breast meat (BB), and special cut meat on a skewer (Yakitori). It also buys made-to-order meat which is processed or prepared by heat (such as grilling, steaming, boiling, and etc.) Some of these products are breaded or seasoned (with salt, Japanese sauce, and etc.). The EU normally buys uncooked skinless boneless breast (SBB) meat, and semi-cooked and further processed meat in made-to-order style.

Policy

Thailand is a protected market. Although, based on the WTO's guidelines, the Thai government should promptly grant the import permit to allow the imports of chicken meat, cooked or uncooked, when an importer is able to meet health requirements and is willing to pay import duties. However, the Thai government has employed some devices to block the imports. First, they require that any imports must be subject to import permit requirements by Department of Livestock Department, which is usually non-transparent. Thus far, the DLD arbitrarily dropped the import application or refuses to grant the import permit without reason. Second, the imports of chicken meat are subject to high import tariff, currently a 33% WTO bound rate for uncooked meat (chilled or frozen) and 42% for cooked chicken meat. Third, the Thai Government imposes unfair import permit fee on uncooked chicken products at 10 baht/kg (approx. US$ 228/ton), whereas the local producers pay US$ 17/ton.

Marketing

For years to come Thai processors are likely to further shift their production line to higher value-added products in order to overcome their disadvantage in production costs (mainly feed cost, genetics, and animal health products) against competitors. Thai investors own nearly all of existing broiler integrators, except Sun Valley Company which is linked to the US-based Cargill Corporation. There should be no additional foreign investment in broiler business in the near future.

However, Thailand is also a U.S. potential market for chicken meat. Like other Asian countries, Thai local consumers prefer dark meat to white meat. A recent official data indicated that the prices for bone-in legs in Thai market are only 9-10% cheaper than breast meat, as compared to about 30% in case of the U.S. market. On the preliminary price analysis, FAS/Bangkok found that hypothetical costs of U.S. leg-quarters imported to Thailand should be 10-20 percent cheaper than domestic wholesale prices for quarter-legs sold in Bangkok. This is also the case for mechanically de-boned meat (MDM). Potential U.S products for marketing in Thailand include frozen chicken parts (especially leg-quarters), MDM, and value-added chicken meat. Potential buyers for chicken parts and MDM should be food processors (sausage processor in case of MDM).

End of Report